United Nations A/C.2/64/L.19

General Assembly

Distr.: Limited
4 November 2009

Original: English

Sixty-fourth session
Second Committee
Agenda item 51 (b)
Macroeconomic policy questions: international financial system and development

Sudan:* draft resolution

International financial system and development

The General Assembly,

Recalling its resolutions 55/186 of 20 December 2000 and 56/181 of 21 December 2001, both entitled "Towards a strengthened and stable international financial architecture responsive to the priorities of growth and development, especially in developing countries, and to the promotion of economic and social equity", as well as its resolutions 57/241 of 20 December 2002, 58/202 of 23 December 2003, 59/222 of 22 December 2004, 60/186 of 22 December 2005, 61/187 of 20 December 2006, 62/185 of 19 December 2007 and 63/205 of 19 December 2008,

Recalling also the United Nations Millennium Declaration[1] and its resolution 56/210 B of 9 July 2002, in which it endorsed the Monterrey Consensus of the International Conference on Financing for Development,[2] and the Plan of Implementation of the World Summit on Sustainable Development ("Johannesburg Plan of Implementation"),[3]

Recalling further the 2005 World Summit Outcome,[4]

Recalling its resolution 60/265 of 30 June 2006 on follow-up to the development outcome of the 2005 World Summit, including the Millennium Development Goals and the other internationally agreed development goals, and its

* On behalf of the States Members of the United Nations that are members of the Group of 77 and China.

[1] See resolution 55/2.

[2] *Report of the International Conference on Financing for Development, Monterrey, Mexico, 18-22 March 2002* (United Nations publication, Sales No. E.02.II.A.7), chap. I, resolution 1, annex.

[3] *Report of the World Summit on Sustainable Development, Johannesburg, South Africa, 26 August-4 September 2002* (United Nations publication, Sales No. E.03.II.A.1 and corrigendum), chap. I, resolution 2, annex.

[4] See resolution 60/1.

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resolution 61/16 of 20 November 2006 on strengthening of the Economic and Social Council,

Recalling also the Doha Declaration on Financing for Development: outcome document of the Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus,[5] held in Doha from 29 November to 2 December 2008,

Recalling further the Outcome of the Conference on the World Financial and Economic Crisis and Its Impact on Development[6] and underscoring the need for expeditious implementation and follow-up of the Outcome,

Expressing grave concern over the severe adverse impacts of the global financial and economic crisis on development, which further highlighted long-standing systemic fragilities, imbalances and inequalities in the international financial system and architecture and current economic order,

Reiterating the need to strengthen the leadership role of the United Nations in promoting development,

Stressing that the current global financial and economic crisis as well as the failures and gaps in international financial governance further underscores the urgent need for the United Nations to assume a central and proactive role in international economic issues,

Stressing also the need to strengthen the coordination role of the United Nations in international economic issues,

Emphasizing that the international financial system should sustain economic growth and support sustainable development and hunger and poverty eradication efforts in developing countries, while allowing for the coherent mobilization and deployment of all sources of financing for development, including multilateral funding, mobilization of domestic resources, international investment flows, official development assistance, external debt relief and a universal, rule-based, open, non-discriminatory and equitable multilateral trading system,

Stressing that good governance at the international level is fundamental for achieving sustainable development, reiterating in this regard the importance of promoting policy coherence and coordination in global economic governance by addressing the international finance, trade, technology and investment patterns that have an impact on the development prospects of developing countries in order to ensure a dynamic and enabling international economic environment, and reiterating also that, to this effect, the international community should take all necessary and appropriate measures, including ensuring support for structural and macroeconomic reform, finding a comprehensive solution to the external debt problem and increasing the market access of developing countries,

Stressing also that this crisis has demonstrated the need for good governance, particularly in the financial markets in developed countries, and reaffirming the need for transparency, as a means of combating corruption at all levels,

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[5] See resolution 63/239, annex.

[6] See resolution 63/303, annex.

Recognizing the imperative of addressing the democratic deficit in the international financial institutions, particularly the Bretton Woods institutions,

Reaffirming the need to broaden and strengthen the participation of developing countries in international economic decision-making and norm-setting bodies and processes, and stressing to that end the importance of making tangible progress in and accelerating the reform of the international financial architecture, including in respect of the issue of the voting power and voice of developing countries in the Bretton Woods institutions,

Recognizing the urgent need to enhance the coherence, governance and consistency of the international monetary, financial and trading systems and the importance of ensuring their openness, fairness and inclusiveness in order to complement national development efforts to ensure sustained economic growth and the achievement of the internationally agreed development goals, including the Millennium Development Goals,

1. *Takes note* of the report of the Secretary-General;[7]

2. *Stresses* the urgent need for the United Nations to assume a central and proactive role in international economic issues and in this regard resolves to further strengthen the role of the United Nations in economic and financial affairs, including with relation to the reform and well-functioning of the international financial and economic system and architecture;

3. *Welcomes* the establishment of an ad hoc open-ended working group of the General Assembly to follow up on the issues contained in the Outcome of the Conference on the World Financial and Economic Crisis and Its Impact on Development;[8]

4. *Expresses serious concern* at the impact that the current global economic and financial crisis is having on developing countries, and stresses the need for actions that are commensurate with the scale, depth and urgency of the crisis to be taken, adequately financed, promptly implemented and appropriately coordinated internationally;

5. *Affirms* that global economic growth and a stable international financial system, inter alia, can support the capacity of developing countries to achieve national development goals and internationally agreed development goals, including the Millennium Development Goals, and stresses the importance of cooperative and coordinated efforts by all countries and institutions to cope with the risks of financial instability;

6. *Underscores* that this crisis has further highlighted the urgent need for a substantive and comprehensive reform of the international economic and financial system and architecture, including policies, mandates, scope and governance, to better enable it to respond to and prevent financial and economic emergencies, effectively promote development and equitably serve the needs of Member States, particularly developing countries, stresses that international financial institutions, in particular, must have a clear development orientation, and calls on all Member States to participate in an open, inclusive and transparent dialogue on a new international economic and financial system and architecture;

[7] A/64/178.

7. *Notes* that the current turmoil in financial markets is also linked to non-transparent financial products, expresses concern at the severe negative consequences of marketing such products for the development efforts of developing countries and stresses the need for greater transparency and better regulation of international markets for such financial products;

8. *Emphasizes* the need for additional, stable and predictable financing to assist developing countries in implementing counter-cyclical policies in response to the current economic and financial crisis and in undertaking their investment plans and strategies to achieve national and internationally agreed development goals, including the Millennium Development Goals;

9. *Urges* international financial institutions, regulatory bodies and other financial institutions to mitigate the global economic impacts of the current financial crisis, provide sufficient financial resources, without conditionalities, to developing countries, develop a global stimulus plan for growth, recovery and the safeguarding of hard-won economic and development gains, ensure policy space for developing countries, and reform of the international financial and economic system and architecture, and urgently address indebtedness of developing countries, including through a moratorium on debt payments, with a view to preventing a new debt crisis;

10. *Notes with grave concern* that the International Monetary Fund is still prescribing pro-cyclical policies in developing countries which can unnecessarily exacerbate economic downturns, underscores that such policies are in violation of the international consensus to undertake a concerted effort to stimulate global demand, emphasizes that conditionalities still require Members States to pursue pro-cyclical policies or adopt monetary and regulatory policies that exacerbate the impacts of the current crisis, thus placing developing countries at a disadvantage relative to developed countries, and are a disincentive for developing countries to seek support funding, and in this regard, calls on the Bretton Woods institutions to refrain from imposing pro-cyclical polices and conditionalities;

11. *Recognizes* the need for a global and collective response to the current financial and economic crisis to be mounted in a coordinated and comprehensive manner and, in this regard, acknowledges the role of the United Nations system in addressing the crisis;

12. *Emphasizes* the need for global and concerted efforts to restore global economic growth, particularly in developing countries, and in this regard also emphasizes the need for an employment-led recovery from the crisis, inter alia, through the implementation of the Global Jobs Pact;

13. *Underscores* that developing countries facing a shortage of foreign exchange because of the fallout from the crisis should not be denied the right to use temporary capital account measures and debt standstills in order to mitigate the adverse impacts of the crisis on the economy, jobs, incomes and poverty;

14. *Stresses* that developing countries must have the necessary policy space for pursuing tailored and targeted responses to the crisis in accordance with their development needs and priorities, and calls for a reformed lending and financing paradigm, including the establishment of new credit facilities, as necessary, and the prompt end to conditionalities that curtail the individualized options available to developing countries and needlessly exacerbate the financial, economic and developmental challenges faced by these countries, and within this context, while noting

steps taken by the International Monetary Fund in this regard, recognizes that new and ongoing programmes still contain conditionalities and that the reformed lending and financing paradigm of the international financial institutions, with full and fair representation of developing countries, must move forward with flexible, concessional and conditionality-free, fast-disbursing and front-loaded instruments designed to substantially and quickly assist developing countries facing financing gaps;

15. *Calls on* developed countries whose policies have an impact on developing countries to formulate policies consistent with the national objectives of developing countries regarding sustained growth, poverty eradication and sustainable development;

16. *Stresses* the urgent need for ambitious and expeditious reform of the Bretton Woods institutions, particularly their governance structures, based on full and fair representation of developing countries, in order to address the democratic deficit in those institutions and improve their legitimacy, and that these reforms must reflect current realities and ensure full voice and participation of developing countries in the decision-making and norm-setting of the Bretton Woods institutions, and in this regard, notes that the decision taken at the October 2009 meeting of the International Monetary Fund on quota shares was insufficient and urges the need for a substantial shift in voting power from developed to developing countries at the earliest;

17. *Underlines* that the current crisis has further highlighted the fact that reform efforts should include other standards and norm-setting and code-formulating bodies outside the multilateral system and that those efforts should ensure full and fair representation of developing countries in such bodies, including the Financial Stability Board and the Basel Committee on Banking Supervision;

18. *Stresses* that the current international reserve system based on a single national currency contributes to economic imbalances and market instability, takes note of proposals for reforming the current system, including with regard to the functions of expanded special drawing rights, and requests the Secretary-General to prepare a detailed study on the feasibility of a more efficient and equitable reserve system, including a stronger role for regional commercial and reserve arrangements, and contingent facilities for balance-of-payments problems;

19. *Recognizes* the important role to be played by increased allocations of special drawing rights in increasing global liquidity, and the potential for expanded special drawing rights to contribute to global stability, equity and economic resilience and in this regard, commits to undertake further examination of the role of enhanced special drawing rights in the expansion of liquidity, stabilization of the reserve system, and the promotion of development, takes note of the approval by the International Monetary Fund of a general special drawing rights allocation of at least 250 billion United States dollars and calls for its implementation and for the urgent ratification of the fourth amendment to the Articles of Agreement of the Fund providing for a special one-time allocation of special drawing rights, as approved by the Fund's Board of Governors in September 1997, and also calls for periodic issuances of special drawing rights;

20. *Encourages*, at the regional level, as appropriate, the establishment and wider use of regional units of account, currency swap agreements and settlement through clearing unions as a possible partial cushion against international currency volatility;

21. *Underlines* the importance of efforts at the national level to increase resilience to financial risk, and stresses in this regard the importance of better assessment of a country's debt burden and its ability to service that debt in both crisis prevention and resolution;

22. *Recognizes* the need for more even-handed and effective surveillance of systemically important countries, international capital flows, and financial markets to remain at the centre of crisis prevention efforts and that surveillance should focus not only on crisis-prone countries but also on the stability of the system as a whole;

23. *Also recognizes* the negative impacts of excessive short-term capital flows and requests the Secretary-General to prepare a report on the role of capital control measures in mitigating the negative impact of those flows, while taking into account the sovereign rights of States;

24. *Notes with concern* the massive reversal of capital flows to developing countries in the wake of the global financial crisis, coupled with a sharp rise in the cost of external financing, and in this regard, calls on the international financial institutions and other relevant bodies to enhance and expand the provision of low-cost and concessional financing to developing countries in order to mitigate the adverse impacts of the crisis and to ensure debt sustainability;

25. *Invites* the international financial and banking institutions to enhance the transparency of risk-rating mechanisms, noting that sovereign risk assessments made by the private sector should maximize the use of strict, objective and transparent parameters, which can be facilitated by high-quality data and analysis, and encourages relevant development institutions, including the United Nations Conference on Trade and Development, to continue their work on this issue, including its potential impact on the development prospects of developing countries;

26. *Emphasizes* that it is essential to ensure the effective and equitable participation of developing countries in the formulation of financial standards and codes, and underlines the need to ensure their implementation, on a voluntary and progressive basis, as a contribution to reducing vulnerability to financial crisis and contagion;

27. *Calls on* the multilateral and regional and subregional development banks and development funds to play a vital role in serving the development needs of developing countries and countries with economies in transition, including through coordinated action, as appropriate, and stresses that strengthened regional development banks and subregional financial institutions add flexible financial support to national and regional development efforts, thus enhancing their ownership and overall efficiency, and in this regard, calls on the international community to ensure that multilateral regional and subregional development banks are adequately funded;

28. *Stresses* the need to continuously improve standards of corporate and public sector governance, including accounting, auditing and measures to ensure transparency;

29. *Requests* the Secretary-General to submit a report to the General Assembly at its sixty-fifth session on the implementation of the present resolution;

30. *Decides* to include in the provisional agenda of its sixty-fifth session, under the item entitled "Macroeconomic policy questions", the sub-item entitled "International financial system and development".